Iraq Reconstruction - Telecommunications

Iraq's telecommunications infrastructure, never adequate, suffered considerable damage during the conflict. Prior to the war, Iraq had a telephone density of about 5 percent compared to at least 15 percent in neighboring countries. Much of the communications network was centralized in Baghdad, where 250,000 out of 540,000 telephone lines became inoperable. The national, long distance backbone was also badly damaged. The lack of transparent policies and laws, independent regulation, and adequate funding are also challenges to reconstructing the telecom infrastructure.

Despite enormous needs, funding for telecom reconstruction has been very limited since the end of the conflict. Two major telecom projects that have been funded were a DOD contract with MCI for a non-commercial wireless network in Baghdad, and a $45 million USAID contract with Bechtel for emergency telecommunications repairs (12 damaged switches, several fiber links and an international gateway).

In May 2003, the U.S. Department of Defense (DOD) awarded a contract to MCI to provide mobile phone services to U.S. civilian and military officials in Baghdad to support the reconstruction efforts and non-governmental organizations delivering humanitarian aid. DOD also awarded Motorola a $15.8 million contract to build a radio communications system for Iraqi security and coalition forces in Baghdad. In addition, Kuwait-based wireless operator MTC-Vodafone deployed a GSM-based network in southern Iraq also designed to support the reconstruction efforts and humanitarian aid organizations. The network provided coverage along supply routes in the southern Iraqi city of Basra.

Bechtel awarded the subcontract for the switches to Lucent Technologies, which was completed in February. Although the switches restore the number of lines to the pre-war level of 540,000 lines, and lay the foundation for expansion of the network, they are not designed to meet the longer term needs in Iraq in terms of capacity and data traffic. Moreover, existing optical fiber in Iraq is low capacity, single-mode fiber, which is also likely to be replaced in the near-to-medium term.

CPA gave high priority to the introduction of mobile phone services in Iraq. On October 6, 2003, the CPA awarded three regional, two-year licenses which will provide coverage for the entire country. The three licenses, selected from over 100 bids, went to companies based in the Middle East with investors in Iraq and elsewhere in the region. The winner of the license for the central region, including Baghdad, was Orascom Telecom of Egypt. Atheer, which is associated with the Mobile Telecommunications Co. (MTC) of Kuwait, was awarded the southern license. Asia-Cell, which has been providing telephone services in some northern Kurdish governerates, will now expand across northern Iraq. All three are using European GSM technology in their respective regions.

Telecommunications was specifically included as part of the $18.6 billion in supplemental funding authorized earlier this year for Iraq reconstruction. The total amount for telecommunications projects is expected to be about $250 million. The newly established

Program Management Office (PMO) under CPA is administering the supplemental funding (see below). Thus far, Lucent Technologies has been awarded a contract with a ceiling of $75 million to provide design-build construction services for projects associated with the repair and modernization of the existing Iraqi communications systems. Companies interested in subcontracting to Lucent should refer to Lucent's Web site (listed below). (Note: An $80-90 million first responder network will be funded separately under the Ministry of the Interior's budget.)
http://www.lucent.com/iraq/subcon.html

Other existing sources of funding for telecommunications projects in Iraq include the three privately funded cellular operators listed above, and the Iraq Telecommunications and Post Company (ITPC). ITPC gets its money from the Development Fund for Iraq (see below).

Coalition Provisional Authority (CPA)

The CPA created an "Iraq Program Management Office" (PMO) to prioritize and oversee all procurement funded by the new U.S. Government appropriation of over $18.6 billion for Iraq reconstruction. This office is responsible for all activities associated with program, project, asset, construction and financial management of that portion of the reconstruction effort undertaken by the U.S. The PMO oversees and manages six separate Sector Project Management Offices (SPMO) and is responsible for coordination and integration of CPA's mission. Each Sector corresponds to a Ministry within the Iraqi government: 1) Transportation and Communications Sector; 2) Electricity Sector, 3) Buildings/Health Sector, 4) Security/Justice Sector, 5) Public Works/Water Resources Sector, and 6) Oil Sector. All PMO solicitations, amendments and awards are posted on the PMO Web site (see below) as well as the Federal Business Opportunities Web site. The U.S. Department of Defense is issuing the contracts on behalf of the PMO.
http://www.rebuilding-iraq.net

The CPA also maintains senior advisors to each of the Iraqi ministries, who are posted at CPA in Baghdad. At this time, the position of Senior Advisor to the Ministry of Communications is held by Jerry Thames on an interim basis.

U.S. Agency for International Development (USAID)

The role of the U.S. Agency for International Development (USAID) in Iraq is to restore critical infrastructure, support essential health and education services, expand economic opportunity, and improve efficiency and accountability of government. As noted above, USAID awarded funds to Bechtel to restore the national fiber telecom network, repair the telephone switching system in Baghdad, and restore international telecommunications capability to Iraq. The USAID Iraq Web site includes information about contract solicitations and awards.
http://www.usaid.gov/iraq

<u>Development Fund for Iraq (DFI)</u>

United Nations Security Council Resolution 1483, dated May 21, 2003, sanctioned the establishment of the Development Fund for Iraq for the purpose of meeting cash payment requirements, and funding civil service salaries and ministry budget operations. The Development Fund for Iraq, which receives its funds from oil revenues and seized assets, is managed by the Coalition Provisional Authority (CPA), in consultation with the Iraqi Governing Council, the Iraqi Minister of Finance, and the Governor of the Central Bank of Iraq. The Iraqi Ministries obtain funds for their operations from the DFI, and are able to issue tenders. (Note: CPA has oversight authority over the Capital Spending Plan for the Iraqi ministries.) The Ministry of Communications is issuing tenders but is not yet announcing them on the Internet.

<u>World Bank</u>

On October 9, 2003, the World Bank and the United Nations released a Joint Iraq Needs Assessment to identify priority reconstruction needs and costs in preparation for the Donor Conference held in Madrid on October 23-24, 2003. The assessment covers fourteen priority sectors, including telecommunications. There is a link to the assessment on the Commerce Department's Iraq Reconstruction Web site (listed below). However, it will still be several months until all the commitments, including tied aid, are sorted out and the contracting mechanism is clarified.
www.export.gov/iraq

Prepared by: Linda Gossack Astor, USDOC/ITA/TD/ITI/OTT, last revised 4/29/04